

Message Text

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ACTION ARA-10

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 2294

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TAGS: ETRN, DR, US

SUBJECT: PUERTO RICO OFFERS JOINT VENTURE

SHIPPING COMPANY TO GODR

REF: SD 4865

SUMMARY: AFTER BUYING OUT FOUR U.S. LINES OPERATING BETWEEN NORTHEASTERN U.S. AND PUERTO RICO, PUERTO RICO HAS JUST OFFERED THE DOMINICAN REPUBLIC A JOINT-VENTURE COMPANY TO COVER SANTO DOMINGO-SAN JUAN CONTAINER SHIPPING. WHILE INITIALLY ALARMED BY SHIPPING DEVELOPMENTS IN PUERTO RICO, GODR IS NOW DELIGHTED TO LEARN SEALAND IS GIVING DR MORE DIRECT SERVICE AND WILL BE USING HAINA AS TRANS-SHIPMENT POINT TO HAITI AND JAMAICA. PUERTO RICANS TOLD IN INITIAL DISCUSSIONS IN SANTO DOMINGO THAT GODR WISHES TO FORM NATIONAL MERCHANT MARINE BUT NOT REPEAT NOT STATE-OWNED AS PUERTO RICO ENVISAGED FOR JOINT OPERATION. PUERTO RICANS SAY THEY HOPE TO EXPAND THEIR NDWLY ACQUIRED SHIPPING TO RVLV AND WEST COAST. PUERTO RICANS RETURNING TO SANTO DOMINGO AT END OF WEEK FOR

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CONTINUED TALSWSP

1. THE ACTING HEAD OF THE NEW SHIPPING COMPANY FORMED BY THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO (GOCPR), FRANCISCO J. RAMOS ACOSTA, HAS JUST COMPLETED

THREE DAYS OF DISCUSSIONS IN SANTO DOMINGO WITH RANKING GODR OFFICIALS DURING WHICH HE OFFERED TO FORM A SECOND JOINTLY-OWNED COMPANY FOR HANDLING CONTAINER SHIPPING BETWEEN THE DOMINICAN REPUBLIC AND SAN JUAN. THE OFFER COMES AS A RESULT OF THE GOCPR'S BUYING OUT THE PUERTO RICAN OPERATIONS OF FOUR U.S. SHIPPING LINES PREVIOUSLY REPORTED.

2. THE ECONOMIC COUNSELOR SAT IN ON THE INITIAL HOUR-LONG MEETING BETWEEN RAMOS AND THE DOMINICAN SECRETARY OF FINANCE, CARLOS SELIMAN, WHO ALSO HEADS THE GODR MARITIME COMMISSION RECENTLY APPOINTED BY PRESIDENT BALAGUER. IN THE DISCUSSION, RAMOS EXPLAINED THAT THE GOCPR DECIDED TO BUY OUT THE FOUR U.S. LINES BECAUSE OF STEADILY INCREASING FREIGHT RATES. HE SAID THAT GOVERNOR HERNANDEZ COLON HAD SPECIFICALLY ASKED HIM TO REASSURE THE GODR THAT THE NEWLY FORMED PUERTO RICAN MARITIME SHIPPING AUTHORITY WOULD NEVER BE USED TO PRESSURE THE DOMINICANS OR TO DISCRIMINATE AGAINST THEM. THE PUERTO RICANS WERE ANXIOUS TO RENDER GOOD SERVICE TO THE DR WHICH TRANSSHIPPED SO MUCH OF ITS CARGO THROUGH SAN JUAN.

3. RAMOS SPECIFICALLY OFFERED TO FORM A JOINT VENTURE COMPANY TO HANDLE ROLL-ON, ROLL-OFF CONTAINER SHIPPING BETWEEN THE DR AND SAN JUAN WHICH WOULD DOVE-TAIL WITH SHIPPING BETWEEN SAN JUAN AND THE NORTHEAST COAST OF THE U.S. HIS PROPOSAL WAS FOR A COMPANY OF QUOTE INTERNATIONAL CHARACTER UNQUOTE AND OF EQUAL PARTICIPATION. RAMOS ALSO PAINTED A SOMEWHAT GLOWING PICTURE OF THE POSSIBILITY OF THE PUERTO RICANS BRANCHING OUT TO HANDLE SHIPPING TO AND FROM U.S. PORTS ON THE EAST COAST, SOUTH OF BALTIMORE, ON THE GULF, AND THE WEST COAST.

4. SELIMAN STATED THAT THE GODR WAS EXTREMELY INTERESTED IN RECEIVING ALL PROPOSALS, SUGGESTIONS, LIMITED OFFICIAL USE

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AND IDEAS IN LIGHT OF THE NEW SHIPPING DEVELOPMENTS IN PUERTO RICO. HE SAID HE CONSIDERED IT A DANGER TO THE COUNTRY TO HAVE TO RELY ON FOREIGN SHIPPING. THE DOMINICANS WERE GIVING VERY SERIOUS THOUGHT TO ACQUIRING A NATIONAL MERCHANT MARINE. THE GODR, HOWEVER, ALREADY OWNS TOO MANY COMMERCIAL ENTERPRISES SUCH AS CEA AND CORDE WHICH ALWAYS CAUSE PROBLEMS BECAUSE PEOPLE WANT TO USE THEM FOR POLITICAL AND SOCIOLOGICAL, RATHER THAN PURELY

COMMERCIAL, WKK #

AES. MOREOVER, HE ADDED, THE GODR HAD
HAD A VERY BITTER EXPERIENCE WITH THE STATE-OWNED
MERCHANT MARINE DURING THE ERA OF TRUJILLO.

5. SELIMAN ALSO TOLD RAMOS THAT SINCE THE PUERTO
RICANS HAD BOUGHT OUT THE U.S. OPERATIONS, THERE,
SEALAND HAD INCREASED ITS DIRECT SERVICE TO THE DR.

THERE WAS CONSIDERABLE ADVANTAGE IN HAVING DOMINICAN
FRESH FRUIT AND VEGETABLES SHIPPED DIRECTLY TO THE
U.S. (ACTUALLY ABOUT FOUR-DAYS' SHIPPING TIME VS.
SEVEN THROUGH SAN JUAN). RAMOS EXTOLLED THE SPEED WITH
WHICH ROLL-ON AND ROLL-OFF COULD BE EXECUTED, #3 58.-58,&
9,3 \$-6 ' SHIPPING TIME TO SAN JUAN, AND TWO MORE TO
NEW YORK FOR A TOTAL OF THREE DAYS.

6. WHILE IN THE DR, RAMOS TOURED THE PORT FACILITIES
OF HAINA, WHERE SEALAND HAS ITS LIFT-ON, LIFT-OFF
CONTAINER OPERATIONS, WITH SECRETARY SELIMAN. HE ALSO
MET IN SANTO DOMINGO WITH PUERTO RICAN-BASED REPRESENTATIVES
OF FOUR EUROPEAN SHIPPING LINES WHICH HAVE FORMED THE
CARIBBEAN OVERSEAS LINES. THE EMBASSY HAS BEEN INFORMED
BY DOMINICAN AGENTS OF THESE LINES THAT THE PUERTO RICANS
ARE USING THE
NEWLY ACQUIRED CRANES IN SAN JUAN AS
LEVERAGE TO GET THE EUROPEANS TO GIVE PUERTO RICO THEIR
ONWARD SHIPPING FROM SAN JUAN TO SANTO DOMINGO AND
OTHER CARIBBEAN PORTS.

7. AFTER RAMOS RETURNED TO SAN JUAN THE ECONOMIC
COUNSELOR SAW SELIMAN AGAIN AND RECEIVED THE FOLLOWING
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INFORMATION: WHEREAS THE DOMINICANS WERE ALARMED WHEN
PUERTO RICO BOUGHT OUT THE U.S. LINES, THEY ARE NOW
DELIGHTED TO LEARN THAT SEALAND IS GIVING THE DR
DIRECT SERVICE AND WILL BE USING HAINA AS A TRANSSHIPMENT
PORT TO HAITI AND JAMAICA. IF THE PUERTO RICANS CAN INDEED
OFFER LOWER FREIGHT LINES AS THEY CLAIM, THIS WILL BE
WELCOME COMPETITION. THE DOMINICANS STILL INTEND TO HAVE
THEIR OWN PRIVATELY-OWNED MERCHANT FLEET WHICH MAY OR
MAY NOT BE ASSOCIATED WITH THE PUERTO RICAN MARITIME
AUTHORITY. RAMOS IS RETURNING TO SANTO DOMINGO, HOPEFULLY
WITH DAVILA, THE HEAD OF THE AUTHORITY, WHO HAS BEEN
ILL. SELIMAN SAID HE HAD NO IDEA WHERE CAPITAL WOULD
COME FROM FOR A DOMINICAN MERCHANT MARINE, BUT HE FELT
IT WOULD BE FORMED EVEN IF SHIPS WERE LEASED RATHER THAN
BOUGHT.

8. COMMENT: PHILIP F. BUSBY, GENERAL MANAGER FOR THE CARIBBEAN OPERATIONS OF SEALAND, WAS DOWN FROM NEW YORK LAST WEEK AND REMARKED TO THE ECONOMIC COUNSELOR THAT HE FELT THE PUERTO RICANS UNDERESTIMATED THE PROBLEMS THEY WERE IN FOR. IT APPEARS THAT SINCE THEY STARTED OPERATIONS THE FIRST OF OCTOBER, THEY HAVE ALREADY HAD A LABOR STRIKE AND HAVE LOST A CONSIDERABLE AMOUNT OF THE BUSINESS TO THE DR WHICH THEY WERE COUNTING ON. BUSBY SAYS THAT SEALAND SOLD ONLY ITS OPERATIONS TO PUERTO RICO AND THE VIRGIN ISLANDS AND THAT IT CAN CONTINUE UNDER THE TERMS OF THE SALE TO SHIP TO THE DR, EITHER DIRECTLY OR BY TRANSSHIPMENT IN SAN JUAN. HE CONFORMED THAT SEALAND IS BUILDING UP ITS CONTAINER OPERATIONS IN HAINA, AND WILL BE TRANSSHIPPING FROM THERE TO JAMAICA AND HAITI.
HURWITCH

NOTE BY OCT: # AS RECEIVED.

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